



# Poverty Microfinance Community

Solution  
eXchange

Wider Choices  
Smarter Development



## CONSOLIDATED REPLY

SHG Federations as Vehicles for Social Change



## Solution Exchange An Initiative of the United Nations in India

In a country as large and vibrant as India, development workers operate in knowledge-rich environments where continuous experimentation and implementation of innovative ideas goes on. While some of this knowledge has been codified and shared, a much larger pool of: knowledge gained through experience remains undocumented, out of the reach of practitioners, and in danger of being forgotten.

Attempting to harness this knowledge, the United Nations Agencies represented in India are supporting a knowledge-sharing initiative to help improve development effectiveness in support of the objective of India's 10<sup>th</sup> Five Year Plan and the Millennium Development Goals (MDGs).

The UN's Solution Exchange initiative builds **Communities of Practice (CoPs)**, connecting people with similar concerns and interests through electronic e-mail groups and face-to-face interactions. The objective is to leverage India's knowledge pool to help ensure that no one "reinvents the wheel".

So far, Solution Exchange in India has established eleven Communities of Practice:

- AIDS
- Decentralization
- Disaster Management
- Education
- Environment
- Food and Nutrition
- Gender
- Health - Maternal & Child Health
- ICT for Development
- Finance
- Employment

Three new Communities-"Climate Change", "Public Health", and "Gender". Members view Solution Exchange as a platform to share with colleagues first-hand field experience and confidence that the initiative is channeling their effective development efforts towards the MDGs.

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Wider Choices  
Better Development

## Solution Exchange for the Poverty Communities

The **Microfinance Community** is working to provide solutions to the day-to-day challenges faced in providing financial services to the poor, thereby helping to attain the Government of India's poverty reduction targets.

**Solution Exchange** connects the members of this Community and increases the effectiveness of their individual efforts, helping them share and apply each other's knowledge and experience. Through Solution Exchange, colleagues can turn to their peers across India for solutions to the day-to-day challenges they face.

### Issues Covered

- Strategies for building an inclusive and equitable financial sector
- Financial sustainability versus outreach- balancing commercial sustainability with availability of microfinance services to the poor
- Creating enabling environment for promoting an inclusive financial sector
- Delivery mechanisms- different approaches and models for delivery of financial services, and their advantages and limitations
- Product innovation and diversification of financial services
- Microfinance and sustainable livelihoods
- Microfinance and crisis management- to smooth out income fluctuations during crises

For further information on the Microfinance Community contact:

Resource Person & Moderator

**Poverty Communities**

United Nations, New Delhi

Tel: 91-11-46532333; Fax: 91-22-24627612

Email: [se-mf@solutionexchange-un.net.in](mailto:se-mf@solutionexchange-un.net.in)

Go to <http://www.solutionexchange-un.net.in/> and click on the **Poverty - Microfinance** link



## **Consolidated Reply**

Members of the Poverty-Microfinance Community are part of a moderated mail group. The primary interaction in the community is through email. A member poses a query to the community and other members respond based on their experience and knowledge. The query can seek advice, experiences, examples or referrals.

The responses received within the time limit provided, are used by the Resource Team to formulate a Consolidated Reply (CR), which is then shared with all the members. The purpose of the CR is to give members a range of possible solutions to the issue raised.

The CR consists of summary of the responses, comparative experiences shared by members, details about recommended resources (like reports, articles, books, organizations, websites and experts) and all the responses received. The Resource Team also provides additional research relevant to the issue. The moderation of the responses, research support, attractive format and short turn around time are some of the special features of a CR.

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Moderator's Note: We have received several interesting and informative responses to this query after posting the Consolidated Reply (CR) on 21 June 2007 therefore we are sharing this Revised edition. The additions in this Revised CR are marked as 'NEW'.



## Poverty Microfinance Community



### Solution Exchange for the Microfinance Community Consolidated Reply

#### ***Query: SHG Federations as Vehicles for Social Change- Experiences***

Compiled by Sumeeta Banerji and Bonani Dhar, Resource Persons and  
Anjum Khalidi and Sarika Dhawan, Research Associates

29 June 2007

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**From C. S. Reddy, Andhra Pradesh Mahila Abhivruddhi Society  
(APMAS), Hyderabad**

**Posted 25 May 2007**

Dear Members,

Self-Help Groups (SHGs) have become a well-known model in India to promote women's empowerment and access to information, financial services, and livelihood promotion. The SHG federation model has emerged to ensure sustainability of SHGs, to provide services like auditing, training, linkages with various schemes and to perform roles that SHGs are not able to perform as informal groups.

Though SHG federations initially work as informal networks, over time they often acquire legal status as a cooperative (MACS type), society, or trust. Some of the SHG federations act as social intermediaries, while others act as financial intermediaries, like a community owned financial institution (COFI). In certain parts of India, SHG federations are also involved in multiple functions like marketing, collective procurement and other functions.

APMAS is working on a publication based on the ratings conducted of SHG Federations. We would like to pose the following questions to this community to derive lessons for practitioners and policy makers:

- What are the implications of SHG federations performing multiple functions?  
Is it advisable to have different institutions for different purposes?



intermediaries? Would banks and other financial institutions be willing to provide bulk loans to SHG federations?

- How does one ensure that vested interests do not overtake the functions of SHG federations?
- Is there any experience in facilitating self-regulation and self-supervision of SHG federations?

We are requesting information from the Microfinance Community as your response would add value to this publication. These findings would also feed into the SHG gateway ([www.shggateway.in](http://www.shggateway.in)) which includes research, publications, and news on the latest developments in the SHG movement.

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### **Responses were received, with thanks, from**

1. **Ramesh S. Arunachalam**, Micro Finance Consulting Group, Chennai ([Response 1](#); [Response 2](#))
2. **Sachin Bansal**, Centre for Microfinance, Jaipur
3. **Pon. Aananth**, HDFC Ltd., Tamil Nadu
4. **S. Saheer**, State Institute of Rural Development, Kollam
5. **N. Jeyaseelan**, Micro Finance Consultant, Madurai
6. **Himanshu**, PRajak, Kharagpur
7. **Rajaratnam Abel**, Independent Consultant, Chennai
8. **Smita Premchander**, Sampark, Bangalore ([Response 1](#); [Response 2](#))
9. **K. K. Tripathy**, Ministry of Food Processing Industries, New Delhi
10. **Soma K. P.**, Gender and Development Consultant, New Delhi
11. **Rahul Banerjee**, Khedut Mazdoor Chetna Sangath, Indore
12. **L. B. Prakash**, Akshara, Hyderabad
13. **Tarun Kumar Debnath**, SHG Promotional Forum, Kolkata
14. **Kedareswar Choudhury**, Darbar Sahitya Sansad, Orissa
15. **Manju Agrawal**, Amity University, Lucknow **NEW!**
16. **Aditya K. Mishra**, University of Hyderabad (Central), Hyderabad **NEW!**
17. **Nandini Sharma**, Council for Social Development, New Delhi **NEW!**
18. **Manju Joshi**, Centre for Community Economics and Development Consultants Society (CECOEDECON), Jaipur **NEW!**
19. **Toms K. Thomas**, Development Consultant, Pathinmathitta **NEW!**
20. **Shobha Mishra**, Development Support Team (DST), Haryana **NEW!**



## [Summary of Responses](#)

## [Comparative Experiences](#)

## [Related Resources](#)

## [Responses in Full](#)

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### Summary of Responses

Responding to the query on 'Self-Help Group (SHG) federations as vehicles for social change, members provided a wealth of experiences and insights on SHG federations performing multiple functions, combining their financial intermediation role with social action, as well as a mechanism for measuring successful self-regulation by SHG federations.

Discussing SHG federations undertaking **multiple functions**, respondents emphasised that federations need to enable true empowerment of women by using a holistic approach. This includes facilitating delivery of a wide range of services in addition to financial intermediation. Members listed a variety of multiple social activities that SHGs and their federations are performing, which strengthen group cohesion and address social issues.

Additionally, discussants reiterated, when federations are outlining the scope of their activities, they need to take into consideration the functioning of other institutions and programmes, such as Panchayati Raj Institutions (PRIs), Village Education Committees (VECs), and Anganwadi centres, so federation efforts complement existing work. For example, in [Madhya Pradesh](#) a federation adopted a multi-pronged approach by working with Anganwadis to provide fortified nutrition supplements to women and children.

Respondents listed two effective approaches to managing multiple functions efficiently. One strategy is federations forming [sub-committees](#), monitored against monthly goals based on performance indicators, as this allows women to lead, coordinate and oversee their own development agenda. The second approach is organizing cluster leaders into credit, enterprise, education and health committees and training them to follow up on their respective topics with their groups. This technique also reduces the number of NGO staff needed and builds the capacities of poor, rural women.

At the same time, discussants cautioned that when a single federation performs several functions, monitoring becomes difficult. They stressed that SHG federations need capacity building with the help of NGOs and donor agencies to expand their activities to perform multiple functions and that mature federations tend to be more capable of performing multiple roles than new ones.



Members suggested federations begin financial intermediation once it has the capacity to administer credit, exercise loan sanction powers and monitor. This 'phased approach' will ensure federations have the capacity to expand the scope of its activities. Sharing experiences regarding the **capacities of SHG federations** to act as financial intermediaries, members cited a federation from **Rajasthan** involved in the SHG Bank Linkage Programme and makes supplementary credit available to SHGs from an independent [bridge fund](#). When the federation demonstrated the capacity to handle loans, banks approached them with bulk loans to allow the federation to do direct financial intermediation. Respondents stressed that promoting institutions can play a significant role in building the confidence of bankers to provide bulk loans to federations. Another example mentioned was an NGO in **Karnataka** providing capacity-building support to SHG federations while linking them to regional rural banks that offer unsubsidised loans and invest in training of SHGs. Discussants also highlighted the experience of a [government programme](#) and recommended close coordination between self-help promoting institutions, banks and government officials to facilitate successful implementation of such initiatives.

Members reiterated the importance of providing training on self-esteem, identity and other gender issues in order to ensure that they are truly being empowered in their households and that they maintain control of their finances. Additionally, members shared examples of organizations that work to build the [capacities of members](#) to manage their own finances and recordkeeping. Other promoting agencies mentioned their experience in building the capacities of their SHGs to manage a [natural resource management project](#). **NEW!**

In addition, members discussed the difficulty in addressing the problem of "**vested interests**" in federations. Considerable effort on the part of the promoter is required in the initial years to educate federation members on the need for participatory decision-making processes, establish transparent systems, create truly democratic systems (to ensure revolving leadership), and clearly define roles and responsibilities to prevent misuse of power. Discussants shared the experience of a federation in **Rajasthan** that adopted a strategy of [decentralizing power](#) as a means to overcome 'vested interests.' The federation, with the support of its promoter NGO, ensured power was not concentrated with a select few and simultaneously built a second line of leaders. Respondents added that the chances that groups/individuals with too much power or influence within a federation will take over, reduces when federation promoters encourage federations to function as self-supporting or business-like entities where grant capital is not an option.

The federation governing board plays an integral role in its ability to facilitate **self-supervision** and **self-regulation**. Members suggested several ways federation boards could improve the way they conduct business; for example, making clearer rules on board decisions; Strategic vs. operational decisions,



including processes and timeframe aspects; conduct board meetings by the chairperson rather than the NGO or promoting institution's staff; and lastly, performance of fiduciary, strategic, supervisory, and management roles of the board need to be in balance.

Other measures to promote self-regulation through transparent and accountable systems and to overcome 'vested interests' that were mentioned, include:

- Printing/writing discussion material for board meetings
- Sharing expenditures, budget, audit and revenue information at annual meetings
- Regularly conducting annual general body meeting (AGBM)
- Disclosing the attendance and transactions of board members with the SHGs and SHG Federations

Participants reiterated that self-regulated bodies could flourish only when there is a **supportive regulatory framework** like the Andhra Pradesh Mutually Aided Cooperative Thrift Society (MACTs) Act of 1995. They noted that federations working within an enabling law often perform better, like the federations promoted in **Andhra Pradesh** that have demonstrated the ability to evolve into independent, self-managed institutions.

As the SHG movement continues to grow, members felt that a **deeper level of analysis** is required to determine whether the movement has helped in closing the gender gap. They outlined broad areas to assess the impact that access to basic credit/savings through SHGs has on the socio-economic empowerment of women. They reiterated that SHG federations have the potential to serve as a 'solidarity space' to enable women to address processes of social change. Furthermore, discussants felt that SHGs have a role to play in building personal and community relationships, and cited an example from **Orissa** where SHGs are re-shaping the nature of the caste divisions. **NEW!**

Members quoted several examples like federations in **Maharashtra** that are successfully working on a range of social issues in their communities, by setting up healthcare centres and ensuring water sanitation in their villages. However, this space will only result in action if the group agenda focuses and nurtures it.

In conclusion, commenting on the federation model and factors to consider while graduating SHGs to federations, members stressed that the success of this model depends on the promoter's ability to build strong community-based organizations by developing community leadership, building the capacity of SHGs and federations, and providing consistent handholding support throughout its growth cycle.



## Comparative Experiences

### Rajasthan

From [Sachin Bansal](#), Centre for Microfinance, Jaipur

#### **Sakhi Samiti- a Self-Managed Federation in Kishangarh Bas, Alwar**

Sakhi Samiti is a federation promoted by PRADAN, started in 1997. After 6 years, PRADAN withdrew support. Now Sakhi Samiti is managed and run by its SHG members and the members elect their own leaders. The federation also forms and trains groups, facilitates bank linkages along with providing supplementary credit to SHGs from its "Sakhi Suvidha Fund," which operates independently and serves as a bridge fund to fill the delay in receiving loans through the bank linkage initiative. Read [more](#)

#### **Building Institutions for Empowerment of Marginalized Communities**

People's Education and Development Organization (PEDO) developed federations in Dungarpur with the support of Dhan Foundation. PEDO decentralized the federations' power structure and practices financial transparency as an effective strategy to overcome problems with "vested interests." Now it forms sub-committees at the federation and cluster levels to address members' issues and build the capacities of members to become second-line leaders and to improve self-supervision. Read [more](#)

#### **Peer-Evaluation for Self-Monitoring SHG Federations**

SHGs promoted by Ibtada in Alwar were evaluated in clusters by each other and based on the evaluation awarded a colour-coded grade. The clusters were also assessed in a federation meeting, by each other. This strategy helped in improving the performance of the SHGs and clusters, and motivated members to improve their performance. Read [more](#)

#### **Empowerment of Women through Natural Resource Management** (from [Manju Joshi](#), CECOEDCON, Jaipur) **NEW!**

The Centre for Community Economics and Development Consultants Society worked with women in the Phagi Block, Jaipur District to empower them through training on natural resource management. With extensive training on all aspects of project management, the SHGs gradually grew to a cluster level federation and after the project ended in 1990; it continued to work with the block level federation. Moreover, it is now making linkages with financial institutions and networking on social issues. Read [more](#)

### Haryana

#### **SHG Training on Handicrafts Helping Women to Gain Greater Societal Recognition** (from [Nandini](#), Council for Social Development, New Delhi and [Shobha Mishra](#), Development Support Team, Haryana) **NEW!**



Development Support Team has been working with Meo-muslim women in Mewat District providing the women training on handicrafts made from locally available material. The SHG members were also given basic training for financial literacy (basic bookkeeping, etc). As a result of their activities, the women now have a greater sense of importance and have gained respect from their families, as earners along with their husbands.

## **Madhya Pradesh**

*From [Rahul Banerjee](#), Khedut Mazdoor Chetna Sangath, Indore*

### **Federations Working with NREGS for Social Change**

A federation among Bhil adivasis in Jhabua District promoted by Sampark, has successfully addressed a range of social issues. It centralised the sourcing of agricultural inputs and marketing of outputs leading to immense cost advantages and gains in output price and also put pressure on the local administration to implement the National Rural Employment Guarantee Scheme efficiently. Finally, the federations are now working on other social issues such as bride price, alcoholism and labour issues.

### **Federations Coordinating Efforts with Anganwadi Workers**

Bharatiya Grameen Mahila Sangh, an NGO in Indore, set up a federation of women's SHGs that runs a successful operation to produce and deliver fortified nutritive supplement to almost fifty Integrated Child Development Services (ICDS) Anganwadi centres. The women pooled their savings and bought the requisite machinery and received bank loans for working capital to sustain their operations while they wait for the government to pay them for their services.

## **Karnataka**

### **Investing in Poor Women's Capacity Development** *(from Smita Premchander, Sampark, Bangalore; [response 1](#))*

Sampark directly invests in developing women's management capabilities by organising cluster leaders into sub-committees to work on social issues and training women on how to manage their groups. As a result, the NGO only needs 3 paid staff and can invest resources into clusters directly. The women's credit and savings needs are met through regional rural banks. Because undergoing training is often too costly for poor women to pay, the NGO has found ways to pay for their "time costs", due to lost wages during training.

## **Andhra Pradesh**

*From [L. B. Prakash](#), Akshara, Hyderabad*

### **Developing Systems for Capacity Building and Self-Regulated Federations**



The UNDP-South Asia Poverty Alleviation Program (SAPAP) invested significant resources for continuous competence building of its federation members at all levels. It also adopted a 'saturation approach' to generate awareness; this approach contributed towards greater 'public knowledge' of the SHG concept and helped create village level federated structures. As a result, secondary level organisations have been formed with much greater participation and systems for self-regulation. Read [more](#)

### **Creating Systems for Autonomous Federations**

Federations promoted by Ankuram Sangaman Poram (ASP) are financially, administratively and legally autonomous with their own governance and management structures that manage funds. Reporting and accountability is primarily to the general body and managing committee. Now, ASO has set up standardized systems and procedures necessary for economies of scale by building consensus among members. Read [more](#)

### **Creating Self-Help, Self-Regulated and Self-Supervised Federations**

The Cooperative Development Foundation (CDF) promotes thrift cooperatives (TCs), though different from SHG federations. CDF works to put into practice the concepts and systems for self-help and self-regulation. Members of TCs come together to save, to access credit and insurance, and for training provided by CDF. With initial assistance from CDF, the TCs are now independent and self-governing institutions. Read [more](#)

## **Maharashtra**

### **Federations Bringing about Social Change** (from [Soma K. P.](#), *Gender and Development Consultant, New Delhi*)

The members of federations promoted by Swayam Shikshan Prayog (SSP) are moving 'beyond credit' and financial intermediation, and are exhibiting their collective capacity by serving as equal partners in village development. They are now involved in local elections, monitoring the performance of village primary healthcare centres, participating actively as members of the village education committees, and addressing issues of water and sanitation in their areas. Read [more](#)

## **Orissa**

### **SHGs Gradually Changing the Nature of Caste Structures** (from [Aditya K. Mishra](#), *University of Hyderabad (Central), Hyderabad*) **NEW!**

The World Bank funded National Agricultural Technology Project formed several village-level SHGs of men and women to disseminate agricultural technologies to grassroots level farmers. In the process, SHGs also developed several micro/home-based activates (apart from credit and thrift system) in order to sustain



their group operations. Since all the members worked together in the same location for a common cause, there was gradual change in the nature of the caste structure in the village.

## Multiple States

### **Building Capacities of Federation Members** (from [Soma K. P.](#), *Gender and Development Consultant*, New Delhi)

Mahila Samakhyas has adopted an innovative strategy to build the capacities of its federation members in several states. Women members agree to take the lead on a range of issues—for example, two women take the primary role on addressing learning on violence and legal rights, and two others on livelihoods issues. As a result, members are trained and educated on issues relevant to their socio-economic needs as well as having the opportunity to build their capacities as leaders.

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## Related Resources

### **Recommended Organizations**

From [Sachin Bansal](#), *Centre for Microfinance*, Jaipur

#### **Ibtada, Alwar**

**Plot No. 4, Scheme 8, Gandhinagar, Alwar, Rajasthan 301001; Tel.: 0144-270-2452/3121; Fax: 0144-234-5509; <http://www.ibtada.org/index.htm>**

*Conducts peer-evaluations of its SHGs in clusters by awarding a color-coded grade in federation meetings which has helped improve the performance of the SHGs and monitor their mechanisms*

#### **Sakhi Samiti, Alwar**

Near TV Tower, Kishangarh Bas, Alwar District, Rajasthan; Click [here](#) to view site  
*Federation registered under the Rajasthan Societies Act, 1958 providing supplementary credit to SHGs from the Sakhi Suvidha fund*

#### **People's Education and Development Organization (PEDO), Dungarpur**

Mada Village, Bicchiwara Block, Dungarpur District, Rajasthan 314001; Tel.: 02964-261128; Fax: 02964-261129; [http://www.barefootcollege.org/profiles/pedo/ORGANISATION\\_PROFILE\\_12-7-2006.pdf](http://www.barefootcollege.org/profiles/pedo/ORGANISATION_PROFILE_12-7-2006.pdf) (Size: 400 KB)

*The organization profile provides information about the sub-committees at the federation and cluster level including women's federation of microfinance.*

#### **Kudumbashree, Kerala** (from [S. Saheer](#), *State Institute of Rural Development*, Kollam)



State Poverty Eradication Mission, 2nd Floor, TRIDA Rehabilitation Building, Chalakuzhy Road, Medical College PO, Thiruvananthapuram 69501 Kerala; Tel.: 0471-2554714-7; Fax 0471-2334317; <http://www.kudumbashree.org/concepts/html/general.html>

*NGO's networking system includes building Area Development Societies (ADS) and Community Development Societies (CDS) to address the socio-economic needs of its SHG members*

**Sampark, Bangalore** (from Smita Premchander; [response 1](#))

No. 120/A, First Floor, 17th Main, KHB Colony, 5th Block, 2nd Cross, Near Mamoor Masjid, above Apex Bank, Koramangala, Bangalore 560095 Karnataka; Tel.: 080-25530196/21268; Fax: 080 25529557; [http://sampark.org/main\\_about\\_us.htm](http://sampark.org/main_about_us.htm)

*NGO invests in developing the capabilities of its women members to enable them to manage SHGs and cluster associations, through supportive training programs*

**Bharatiya Grameen Mahila Sangh, Indore** (from [Rahul Banerjee](#), Khedut Mazdoor Chetna Sangath, Indore)

Scheme No. 71, Sector D, Behind Chandan Nagar Police Station, Indore 452002 Madhya Pradesh; Tel.: 91-731-2382409/8873; Fax: 91-731-2789793, 2540364

*Multipurpose SHG federation as one of its social initiatives- prepares and distributes nutritive food supplements to Integrated Child Development Services (ICDS) centres*

From [Soma K. P.](#), Gender and Development Consultant, New Delhi

**Nirantar, New Delhi**

B-64 Second Floor, Sarvodya Enclave, New Delhi 110017; Tel.: 011-2696-6334; Fax: 011-2651-7726; <http://www.nirantar.net/>

*Resource centre for women and education that is working to explore the issues of gender equity and effective poverty alleviation through the SHG movement.*

**Swayam Shikshan Prayog (SSP), Mumbai**

5th Floor, Bhardawadi Hospital, Bhardawadi Road, Andheri West, Mumbai 400058 Maharashtra; Tel.: 022-22907586, 26771132; Fax: 022-26771132; <http://www.sspindia.org/programmes.htm>

*Builds the core social, economic and political competencies of SHGs to meet their needs for crisis and productive loans, address social issues and bridge priorities with local governments*

**Mahila Samakhya, Ministry of Human Resource Development, Government of India, New Delhi**

Shastri Bhawan, New Delhi 110001; Tel.: 91-11-031-61336; Fax 91-11-23074113; <http://www.education.nic.in/ms/ms.asp>



*National program which encourages its members to identify their social agenda and build the capacities of SHGs to work together to address their concerns*

From [L. B. Prakash](#), Akshara, Hyderabad

### **Cooperative Development Foundation (CDF), Hyderabad**

House No. 3-5-43/B, Opposite, Jagruti College, Ramkote, Hyderabad 500001 Andhra Pradesh; Tel.: 040-2475-0327; Fax: 040-2475-0327; <http://www.sahavikasa.coop/thrift.htm>

*Thrift cooperatives and their federations promoted by CDF exemplify the concepts and practices of self-help, self-regulation and self-supervision*

### **Ankuram Sangamam Poram (ASP), Secunderabad**

Plot No. 142 & 143, AP Text Book Colony, Transport Road, Karkhana, Secunderabad 500009 Andhra Pradesh; Tel.: 40 27894574; Fax: 40 27894573; <http://www.ankuram.com/Federationatwork.htm>

*ASP builds client-owned and managed institutions at the SHG, federation and MACS (Mutually Aided-Cooperative Society) levels and offers credit, savings and insurance services.*

### **Centre for Community Economics and Development Consultants Society (CECOEDECON), Jaipur (from [Manju Joshir](#)) **NEW!****

SWARAJ Bhavan, F-159-160, Industrial and Institutional Area Sitapura, Jaipur 302022 Rajasthan; Tel.: 0141-2771488/855; Fax: 0141-2770330; <http://www.cecoedecon.org/nrm.asp>

*Works with SHGs integrated with its natural resource management program and provides training to SHG members to build their capacity to self-manage projects*

### **World Bank National Agricultural Innovation Project, New Delhi (from [Aditya K. Mishra](#), University of Hyderabad (Central), Hyderabad) **NEW!****

70 Lodi Estate, New Delhi 110001; Tel.: 011-24617241; Click [here](#) to view site

*Project contributes to the sustainable transformation of Indian agricultural sector to relieve poverty, and promote income-generating activities through SHGs*

### **Tamil Nadu Corporation for Development of Women Ltd., Chennai (from [Sariika Dhawan](#), Research Associate)**

Project Management Unit, TNCDW Ltd., Guindy, Chennai 600032 Tamil Nadu; [tncdw@disnetdsl.net](mailto:tncdw@disnetdsl.net); <http://www.tamilnaduwomen.org/federations.htm>

*Organization working towards the development of the panchayat-level federations of women SHGs*

### **Recommended Documentation**

From [Sachin Bansal](#), Centre for Microfinance, Jaipur



## **Creating an Enabling Environment for Women to Empower Themselves: PRADAN's Microfinance and Livelihoods Programme**

By Md. Amjad Khan; PRADAN

[http://www.genfinance.info/Chennai/Case%20Studies/PRADAN\\_Chennai.pdf](http://www.genfinance.info/Chennai/Case%20Studies/PRADAN_Chennai.pdf) (Size: 168 KB)

*Outlines PRADAN's strategy for promoting SHG federations and building solidarity; cites their work with Sakhi Samiti, which is now managed by SHG members and independently run*

## **Sa-Dhan Newsletter**

Special Issue on Community-Based Organisations, Vol. 4, Issue 2; May 2003

[http://www.sa-dhan.net/Adls/Microfinance/Vol/vol4\\_issue2\\_may2003.pdf](http://www.sa-dhan.net/Adls/Microfinance/Vol/vol4_issue2_may2003.pdf) (Size: 1 MB)

*Shares PRADAN's experience in networking SHGs, its approach to SHG-microfinance; highlighting how it has now evolved into a self-managed federation*

## **Status of SHG Federations in Andhra Pradesh: APMAS Assessment Findings**

By C. S. Reddy and L. B. Prakash; Microfinance Gateway; March 2003

[http://microfinancegateway.org/files/13556\\_apmaspaper.doc](http://microfinancegateway.org/files/13556_apmaspaper.doc) (Size: 310 KB)

*Paper presented at the 'SHG Federation Workshop' held by the National Institute of Public Cooperation and Child Development and Sa-Dhan, outlines various SHG federation models*

## **Self-Help Groups in India: A Study of the Lights and Shades**

Andhra Pradesh Mahila Abhivruddhi Society (APMAS); 2006

<http://www.apmas.org/pdf%5Cm.pdf> (Size: 1.07 MB)

*Explores the socio-economic benefits of SHGs as well as the challenges that SHGs are facing, also looks at what can be done to optimise the benefits, address and overcome the challenges*

## **Quality Issues in the Microfinance Sector in Rajasthan**

Andhra Pradesh Mahila Abhivruddhi Society (APMAS) and Centre for Microfinance (CmF) Jaipur; 2006

<http://www.cmfrac.org/shgqreport.pdf> (Size: 635 KB)

*Article lists good practices in SHG/federation promotion activities adopted by various MFIs and SHPIs, including PEDO and details inputs needed for promoting and monitoring quality issues*

*From Soma K. P., Gender and Development Consultant, New Delhi*

## **Changing Lives, Transforming Communities – Swayam Shikshan Prayog (SSP): A Decadal Journey**

By Aarti Saihje; Grassroots Women's International Academy (GROOTS),; May 2002



[http://www.groots.org/articles/SSP\\_doc1.doc](http://www.groots.org/articles/SSP_doc1.doc) (Size: 448 KB)

*Document details SSP's evolution over the last decade and investigates the multiple activities federations promoted by SSP are involved with beyond basic financial intermediation*

### **Examining Self-Help Groups: Empowerment, Poverty Alleviation and Education**

By Jaya Sharma and Soma K. Parathasarthy; 2007

<http://www.solutionexchange-un.net.in/mf/cr/res25050701.doc> (Size: 48KB)

*Executive summary presents the findings of a study on SHGs and cites a case where promoted a social agenda for federations in addition to providing financial intermediation*

### **Institutionalising Gender, Engendering Institutions: Issues for Consideration for the 11<sup>th</sup> Plan**

By Soma Kishore Parthasarathy; August 2006

[http://www.solutionexchange-un.net.in/mf/comm\\_update/res-06-130607-01.doc](http://www.solutionexchange-un.net.in/mf/comm_update/res-06-130607-01.doc)  
(Size: 84 KB)

*Paper discusses the exclusion of the poorest, and the capacity building limitations and other pertinent issues in gender mainstreaming with relevance to SHG movement.*

### **Self-Help Groups - Relevance to Poverty Alleviation and Women's Empowerment**

Nirantar – a Centre for Gender and Education; 2007

[http://www.solutionexchange-un.net.in/mf/comm\\_update/res-06-130607-24.doc](http://www.solutionexchange-un.net.in/mf/comm_update/res-06-130607-24.doc)  
(Size: 44 KB)

*Memorandum details the views of activists, practitioners and researchers on equity and gender justice with a focus on the SHG movement and makes recommendations for the next 5-Year Plan*

### **Micro-Credit, Poverty and Empowerment: Linking the Triad**

Edited by Neera Burra, Joy Deshmukh-Ranadive and Ranjani K. Murthy; Sage, New Delhi; 2005

Click here to order: <https://www.vedamsbooks.com/no42696.htm>

*Contains case studies that offer lessons on institutional structures of SHGs and processes that facilitate women's empowerment and poverty reduction through micro credit services*

### **ANANDI India**

By Linda Mayoux; Aga Khan Foundation; September 2005

[http://www.genfinance.info/Case%20Studies/ANANDI\\_genfinance.pdf](http://www.genfinance.info/Case%20Studies/ANANDI_genfinance.pdf) (Size: 280 KB)

*Case study documenting the work of ANANDI India, an NGO working with SHGs, which uses participatory tools to help empower its SHG members*



**Organizational Profile of Sampark Samaj Sevi Santha, Madhya Pradesh**  
(from [Rahul Banerjee](#), Khedut Mazdoor Chetna Sangath, Indore)  
The Barefoot College

<http://www.barefootcollege.org/profiles/sampark/Organisational%20Profile.pdf>  
(Size: 476 KB)

*Document details Sampark's work in microfinance, sustainable livelihoods and its promotion of a federation of Bhil adivasis in Jhabua district that is working to improve implementation of NREGS*

**Framework for Developing Health Insurance Programmes - Some Suggestions for States** (from [S. Saheer](#), State Institute of Rural Development, Kollam)

Ministry of Health and Family Welfare, Government of India, New Delhi  
[http://mohfw.nic.in/NRHM/Documents/framework\\_for\\_health\\_insurance.pdf](http://mohfw.nic.in/NRHM/Documents/framework_for_health_insurance.pdf) (Size: 388 KB)

*Document outlines the goals and strategy proposed by the Government to deliver health insurance programs, including the role of the SHG federation Kudumbashree in Kerala*

**Andhra Pradesh Mutually Aided Cooperative Societies Act 1995** (from [K. K. Tripathy](#), Ministry of Food Processing Industries, New Delhi)  
Microfinance Gateway; June 1995

[http://www.microfinancegateway.org/files/24919\\_file\\_law\\_india\\_04.pdf](http://www.microfinancegateway.org/files/24919_file_law_india_04.pdf) (Size: 228 KB)

*Act was created to provide a legislative framework, within which cooperatives can operate which may be used as a reference for SHG Federations*

**Savings and Credit Movement of Andhra Pradesh (AP)** (from [L. B. Prakash](#), Akshara, Hyderabad)

By Sankar Datta and Vijay Mahajan; Basix

Click [here](#) to read PDF (Size: 64 KB)

*Details major initiatives and methodologies of SHG federations developed in AP, including those promoted by CDF and UNDP-SAPAP which serve as examples of how SHGs can be self-managed*

**Summary Record of the Presentation by Civil Society Groups from Mewat, Haryana** (from [Nandini Sharma](#), Council for Social Development, New Delhi) **NEW!**  
Yojana Bhavan Planning Commission; June 30, 2005

[http://planningcommission.nic.in/data/ngo/csw/csw\\_1.pdf](http://planningcommission.nic.in/data/ngo/csw/csw_1.pdf) (Size: 20 KB)

*Document details the work of NGOs working in Mewat, Haryana and highlights the work of DST working with SHGs and socio-economic empowerment*



From [Sarika Dhawan](#), Research Associate

## **Panchayat-level Federations of Women SHGs to Be Set Up**

By R. Vimal Kumar; The Hindu; June 23, 2005

<http://www.hindu.com/2005/06/23/stories/2005062310260300.htm>

*Article covers Mahilar Thittam, an organization planning to establish three more panchayat-level federations (PLF) of women self-help groups in Tuticorin district*

## **MACS for SHG federations of Microfinance Institutions**

Indian School of Microfinance for Women, Gujarat; June 2006

[http://www.ismw.co.in/brochure\\_macs.doc](http://www.ismw.co.in/brochure_macs.doc) (Size: 48 KB)

*Note on a five-day course conducted Ahmedabad that focused on the principle of MACS (Mutually Aided Cooperative Societies) for sustainable promotion of federations*

## **Recommended Portals and Information Bases**

**The SHG Gateway** (from [C. S. Reddy](#), APMAS, Hyderabad)

[www.shggateway.in](http://www.shggateway.in)

*Knowledge dissemination forum that includes diverse voices and experiences involved in SHG movement*

**Sustainable Microfinance for Women's Empowerment** (from [Sarika Dhawan](#) Research Associate)

<http://www.genfinance.info/>

*Website brings together resources for a detailed discussion on the concepts of SHG-microfinance relating to issues of gender, livelihood development and other issues for social change.*

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## **Responses in Full**

**[Ramesh S. Arunachalam](#), Micro Finance Consulting Group, Chennai**  
(response 1)

"Self Help Groups (SHGs) have become a well-known model in India to promote women's empowerment and access to information, financial services, and livelihood promotion" - from CS Reddy's query

CS's query is important as it indirectly raises the issue of the impact of access to financial services with regard to women's empowerment. I detail out some arguments based on my own experiences and a recent paper that I did for the Commonwealth (Source: Arunachalam, Ramesh S, 2007, "Microfinance and Innovative Financing for Gender Equality: Approaches, Challenges and Future Strategies, Commonwealth" forthcoming). It is important to understand this empowerment context before moving to CS's questions which I will do so in my next mails



While it is true that larger numbers of women clients have gained access to financial services such as credit/basic savings, the key question is "so, what?" It is therefore very critical to look at what access to a basic credit/savings product has done for women. There are four discernible broad level impacts:

- a) It has enabled women to have a collective bargaining mechanism at the local level
- b) It has facilitated them to move out of their household and build relationships with various stakeholders,
- c) It has given them a platform to combat various social oppressions, and
- d) More than the money received through Microfinance, at a very basic level, the self-management that it has fostered in some models (like the village banks and/or SHGs) is what has perhaps led to some automatic empowerment of women.

Thus, while the key point that Rural Finance/Microfinance have got women together and also empowered them (in a basic sense) is well taken, much less is known about what it has achieved in terms of closing the gender gap on aspects such as (but not limited to) the following:

- Women's ownership of and control over assets
- Women holding custody of income
- Women gaining access to domestic and community economic/other resources
- Women's productive versus reproductive roles, etc.
- Women's indebtedness
- Women's decision making within the household

So, the question of whether access to resources and finance is synonymous with regard to control over these resources and finance – the latter being very critical for true empowerment of women as well as sustained poverty alleviation – needs to be explored in an appropriate manner, using sensitive and longitudinal research methods, in several contexts (The paper for The Commonwealth on Financing for Gender Equality made me go through the existing/available papers globally)

Undoubtedly, poverty has a great gender dimension and any serious attempt to reduce poverty must be holistic and address gender aspects. For example, mere provision of financial services and consequent income from this perhaps cannot tackle poverty in the absence of ensuring that women really hold custody of the income that they earn. I spent considerable time in the Integrated Tribal Development Agency's (ITDA) areas of Andhra Pradesh (Rampachoodavaram, Mardemalli, ChintaPalli, Chinnagraharam, Peddagraharam, Gurtedu) and similar areas of Chattisgarh (Dantevada, Bastar etc), Orissa (Phulbani, Kalahandi, Koraput), Maharashtra (Gadchiroli etc), Jarkhand, West Bengal, Bihar etc. Everywhere the



issues are quite similar and women may have access to finance and some income but when they lack custody to income and opportunities to invest as also decision-making authority, it is the same old story. This needs to be well understood.

This is not to say that access to finance is not enough or not good but rather this is to highlight that mere access to finance does not guarantee (I am saying this in having observed Micro Finance/Rural Finance programs since 1978) larger and sustainable empowerment. It perhaps calls for certain other kinds of accompanying interventions.

From this perspective, it can be argued that SHG federations, if they are to enable true empowerment, must be in a position to **facilitate** the delivery of a range of other services that are required for empowerment. This will also vary with the nature of the add on services and could be very different for micro-insurance as opposed to health care (for example, in case of insurance, a choice of strategies are available including partner agent versus mutual insurance versus being a broker versus assisting an insurer's direct sales force – all used in different contexts and very successfully in serving low income clients and each implying a certain degree of control for insurer over intermediary and each having a certain impact on risk and vulnerability of the low income people including women)

I am sending separate mails for each of the four questions but just wanted to raise and flag the issue of empowerment first, as it is often taken for granted.

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### **Sachin Bansal, Centre for Microfinance, Jaipur**

The questions posed by you are really very pertinent in the present microfinance scenario. I am sharing my opinion on the questions:

1) Performing multiple functions by SHG federations is difficult. It is good to focus on one aspect initially and as the federation matures, multiple functions can be tried out only if there is an underlying need for such functions. If it is between social and financial functions, performing multiple roles can be difficult, as both the functions require different culture in the federation, which is difficult to be maintained by a single body. For example, if a federation working on women's empowerment starts financial intermediation, its focus and relationship with members will change.

But after a certain level of maturity, different functions can be done and different wings/ committees in the federation can be responsible for performing different functions. At least this level of differentiation for various functions is required within the federation.

2) Sakhi Samiti is a federation promoted by PRADAN in Alwar, Rajasthan. It is registered under the Rajasthan Societies Registration Act, 1958. Apart from SHG



bank linkages, it is making available supplementary credit to SHGs from its Sakhi Suvidha fund. Sakhi Suvidha is operated as an independent entity, having separate accounts and is used as a bridge fund to fill the delay in the bank linkage. It is being run as an independent financial facility as its accounts are maintained separately, audited separately and not mixed with Sakhi Samiti's accounts. Sakhi Samiti is handling the fund quite effectively and they have 100% repayment rates from their groups till date.

Various private banks have also approached Sakhi Samiti to lend bulk loans to them for direct financial intermediation but they have not yet taken such loan because private banks asks for Sakhi Samiti's guarantee and also Sakhi Samiti feels that the interest rate charged by banks is quite high at 12%. However, Imarti Devi, Chairperson of Sakhi Samiti says that there is a very huge demand for credit and they are planning for such a linkage provided the terms and conditions are acceptable to them.

3) Overcoming vested interests in democratic organisations like federation is really difficult. A lot of effort from promoter's side is required in the initial years. Educating members, setting transparent systems, participatory decision-making, revolving leadership, clearly defined roles and responsibilities for all can help in preventing misuse of power.

Decentralization of power as in case of People's Education and Development Organisation (PEDO), Rajasthan can be an effective strategy for overcoming vested interests. In federations promoted by PEDO they have formed various sub committees (involving many members) at the federation and cluster levels and these committees are quite powerful and leaders have to follow their recommendations. By decentralizing, power is not concentrated with a selected few. This requires a lot of effort in the initial years but is very effective. There should also be a plan for developing second line leaders, as it will help shifting power from one hand to other.

4) PEDO, Dungarpur has promoted seven block level federations in their area. These federations conduct an internal as well as external audit annually. Federations take the services of a Chartered Accountant (CA) who reviews all the books of accounts and tells about the financial performance of the federation and the problems. Reports of CA are discussed with all the members so that every body is aware of the current financial position & problems. This also helps in overcoming vested interests problem in the federation.

In Ibtada, Alwar SHGs are evaluated in clusters by each other and are awarded a colour-coded grade and similarly clusters are evaluated in federation meeting by each other, which help in constantly improving the performance and gives motivation to members to improve their performance.



I have spent over 9 years working with federations in different parts of India. They are doing good work but nonetheless need to strengthen themselves in several areas, as improvement is a continuous process. Here are some suggestions from working with over 100 SHG federations (or equivalents) in Andhra Pradesh and others states over the period 2000 – 2007:

Three aspects need to be kept in mind here: 1) there is an issue of level here and I will deal with this aspect in a later e-mail. The present comments are for federations that directly work with end user clients and not associative federations; 2) where ever federations come under an enabling law, they perhaps perform better; and 3) the following analysis is based on my experiences and I am sure there are some federations that would not fall under my classification and analysis.

I take up the issue of a federation's governing board and here are my thoughts:

Aspects that Federation Boards are doing reasonably well on:

- Board of directors exist and meetings are held regularly and at least once a quarter
- A majority of members attend board meetings and there are specific norms with regard to attendance and the board is strict in adhering to these norms.
- There are clear norms for Board member(s) election and replacement. There are term limits for serving in the board and rotation mechanisms are also in place. Members are democratically chosen to serve on the board. The board operates at full required strength

Aspects that Federation Boards need to improve further (in a significant manner) are:

- Creation of board sub-committees and getting them to play a more active role, although exceptions exist
- Performance of fiduciary, strategic, supervisory and management development roles by the board in a balance
- Clearer rules on board decisions – strategic versus operational – including processes and timing aspects
- Board conflict resolution mechanisms are not so well developed
- Board meetings should be conducted by the Chairperson of the Board rather than promoters NGOs or staff (the latter two is most often the case)

Thanks. I will share on other elements in CS query in separate mails.



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**Pon. Aananth, HDFC Ltd., Tamil Nadu**

Further to build on Sachin's view, forming SHGs and promoting it into a federation with a view to enable them to take up multiple functions is very well possible irrespective of its purpose of promotion by its promoter. But, before that, these SHGs should be nurtured properly. SHG federation's growth cycle can be classified into different phases like 'formation phase' or 'social mobilization phase' (1-2 years), 'financial intermediation phase' (2-5 years), 'business intermediation phase' (5 yrs and above) and stabilization or civic intermediation phase (8 years and above). The federations should be allowed to take up specific intermediation based on its age and its members pressing needs. Only in its civic intermediation phase, would an SHG federation be in a position to take up multiple functions.

The success of the federation model mainly depends on the promoters ability to build a strong Community-based Organization (CBO) by the way of developing and nurturing community leadership, vision building for the SHGs and its federation and also abilities to provide hand holding support at all phases of its growth path in a consistent manner.

Finally, SHG federations, if nurtured properly could bring drastic changes in the lives of their members.

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**S. Saheer, State Institute of Rural Development, Kollam**

The SHG concept which has been very strong in the last decade has made revolutionary achievements in the empowerment of women. Rural women have become self confident and taken up activities under micro credit and have developed micro enterprises. But an analysis of an SHG's sustainability level reveals that after a period of time, these SHGs are automatically getting dissolved or becoming a part of another SHG or project. Some of the reasons are:

1. After being formed, the SHGs continue to function as independent bodies
2. There is no networking system for exchange of ideas
3. There is no institutional arrangement and support system other than the SHG promoters

Hence, in my view, federating the SHGs will definitely develop an institutional framework of their own so that they can share with each other - ideas, good practices, challenges, threats, possibilities, etc. The framework of federating the SHGs can be a three tier model:

1. at village level
2. at block level or taluk level
3. at district level



The by-laws of this federating system shall be formulated in such a way that these units shall remain as facilitators and as a supporting system to the individual member SHGs and shall not have any legal right to intervene in the functional freedom of member SHGs, in for example, the selection of office bearers, dissolving the samitis, etc.

The second aspect is that there is a substantial amount of deposits in different financial institutions through the SHGs thrift and savings. The district level body of the federation of SHGs can think of registering as a cooperative society, pool this amount and can do financial operations of their own as an SHG cooperative bank. This will promote the micro finance capacity of SHGs.

Thirdly, the formation of a company can also be considered by the district or block level bodies by getting shares from individual SHGs, so that marketing of the rural products can be promoted through quality checking, by developing a common brand name, and common packing materials for example.

The Kudumbasree programme of Kerala has a net working system like Area Development Societies (ADS) and Community Development Societies (CDS).

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### **N.Jeyaseelan, Micro Finance Consultant, Madurai**

Recently, I have been on an evaluation visit and had the occasion to interact with leaders of 7 SHG federations (of a reputed NGO). I would like to share some of my observations / views.

1. Federations of SHGs have not been evolved based on the felt needs of member SHGs. Rather it has been promoted due to the guidelines under the government-sponsored program. Hence, in one of the federations, only 4 SHGs were members (SHGs federated at the Panchayat level), where as the desired optimum size for a tier I Federation (cluster or area level) may be around 20 to 30 SHGs and tier II federations (block level) may be around 200 to 250 SHGs.

In order to encourage the need for evolving into a federation, the member SHGs in an area may be asked to meet informally once in a month initially and be facilitated to share their experiences and mutually solve their problems. Once these informal meetings are found useful by the member SHGs, they would feel the need for a formal structure and then the federation may be formalized.

2. Even when the tier I federation itself lacks governance and management capability, tier II level federations have been formed. However, the tier II federation should be started only when the tier I federation is fully stabilized over a two - three year period.

3. Some of the federations with less than 3 years of operations, have not built up the capacity of credit administration i.e. exercising loan sanction powers and close monitoring. It is better if the federation initially focuses on non-financial functions



for the initial 3 years and after 3 years, it can take up the financial intermediation role.

4. Some of the leaders of federations do not know the provisions of their legal form. NGO staff also overlooked these legal issues. For example, the trust deed says there should be minimum 9 trustees. But only 8 trustees are functioning for the last 4 years. As per the trust deed provisions, the leadership changes have not taken place.

Hence, the Board members should be given training on their role and responsibilities and also about the provisions of their legal form.

5. In most of the federations, the organization was dependent on a single leader, which is not a good sign of institutional development. Succession planning has to be given focus and second level leaders should be trained to take over so as to avoid the creation of a power centre within.

6. Some of the federations are functioning well. I have even seen one federation submitting its monthly report to government in a floppy disk. Such federations should be selected for grounding other Information Communication Technology (ICT) pilots for delivering hassle free services at the doorstep of the poor.

7. As government officials always talk about group enterprises among SHGs, (in my twenty years of banking experience, I have seen that the success rates in groups enterprises are much lower compared to the individual units) most of the federations talked about launching group enterprises. Hence, the members should be facilitated to have an open mind when selecting a choice and depending upon the management capacity of the group, support from NGO and other factors, the federation must make the choice has to choose a group or individual enterprise.

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### **Himanshu, PRajak, Kharagpur**

I would like to state just one thing that in my opinion, having different organizations for different tasks is often a waste of time and less efficient. However, the same organization performing multiple tasks tends to lose focus. The best option is to form sub-teams; or if the same team is to work, the best idea is to set monthly goals for each of the tasks and to evaluate them. If u can get this to work it is much better than having separate SHGs.

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### **Rajaratnam Abel, Independent Consultant, Chennai**

I believe this is going to be one of the most sustainable areas of development. However, it should not be overdone. Not every group will be able to achieve the same level of success. Pure MFIs have been focusing exclusively on the financial



process and so there is a delay in introducing social issues. However, if judiciously planned, social interventions can be introduced at a much earlier phase.

The selected issues chosen early on in formation are important. If they are issues that affect their daily lives then they have a greater meaning in their lives and results in greater success. Here are some examples:

- As soon as the Kargill war started, one of our groups immediately collected Rs.10,000 from their own village and went and gave it to the collector even without the NGO's knowledge.
- When the Gujarat earthquake struck, with the coordination of the NGO, all the SHGs raised Rs. 60,000 together. The NGO facilitated representatives of the group to visit the sites that were hit and hand over the money to a local reliable relief group.
- Then when the Tsunami struck in Tamil Nadu, the people collected rice and other materials to distribute. They were surprised to see the local politics in play with the relief efforts. They realised that the real needs of the Tsunami were beyond their capability and did not do any further relief work.
- There are two trained street playgroups. They are used by the NGO in providing community education through street play in funded programmes. They have been effective in addressing issues such as HIV/AIDS, female infanticide, parenting, etc.
- One group was highly successful in taking up the case of a deserted HIV widow and fought through the free legal aid cell to get the property of her deceased husband.
- One federation was successful in controlling illegal quarrying of river sand.
- Two federations in the Madurai region have started health centres to provide affordable health care for their members. This is just the beginning, but they are confident.
- With a little effort, it is possible for MFI members to have their children complete schooling, get involved in parent teacher associations and ensure that the school serves the local community well.
- Similarly they can ensure that members' children receive timely immunisations, and antenatal care for pregnant women

Every successful social activity strengthens the cohesion of the group. While in planning it should move from simple programmes to the complex ones, there may be situations where there is a complex problem that needs to be handled earlier. Years of experience should not be the criteria to decide interventions. Capability of the group, independent of the NGO promoter, should be the criteria to decide what issues they can work to address.



On a related note, I would like to hear of success stories of those groups, which have been successful in integrating the Millennium Development Goals (MDGs) into microfinance.

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**Smita Premchander, Sampark, Bangalore** (*response 1*)

It is good this question is raised in both Microfinance and Gender communities. I have read with interest all the good experiences shared on this question so far, and find them extremely useful, and many of them endorse what Sampark experiences have been. I want to share the experiences from Sampark:

1. Sampark had initially decided to have institutions at three levels, SHGs, cluster associations, and federations. We floated a query in Solution Exchange on this issue, got a lot of good experience and advice contributed, decided to stay with two levels, and feel that this has worked very well. Today, 150 women's SHGs are organised into 10 clusters, and each of these cater to about 300 women, similar to Cooperative Development Foundation's (CDF) cooperative model.
2. Each cluster will be registered as a cooperative soon. Before the Microfinance Bill is passed and women's savings become accessible to NGOs. Sampark has put this on priority agenda.
3. Sampark has invested in developing women's own capabilities for managing groups and cluster associations, and this was not easy. Women, especially poor women, as these are the predominant membership of Sampark groups, do not have the time to spend to get themselves trained. Their capacity development is too high a cost for them to pay. We therefore, have found ways to pay for their time costs, when they lose wages either because they go for supervision of groups or for training. We would have invested this money in our staff; instead, we invest it in the members. It was difficult to raise this money from donor agencies, as most agencies are willing to invest in NGO-managed organisations, but not in women-managed organisations. This is easier said than done, it took us three years to find an organisation that invested in women's training at the ground level!
4. For their credit needs, we found that the Regional Rural Bank (RRB) in the district, the Pragati Grameen Bank, was willing to offer unsubsidised loans, hold loan campaigns, and give training to our groups. This link has worked really well, with the bank lending to almost all groups that will accept unsubsidised loans (60%). Many now have significant savings (25%) and do not want external loans. Others (15%) still choose to wait for subsidised government loans, or for the right time and season and investment opportunities to take loans.
5. Now, the groups meet weekly for their savings and credit activity. Each group sends 3 women leaders to the cluster meetings, which take place monthly. The cluster leaders (usually 30) are organised into credit, enterprise, education and



health committees. We train these committees, and they then follow up with groups. For instance, education committees follow up with schools to reduce school-dropouts; the health committees take charge of health camps and mental health interventions. All Sampark interventions are routed through cluster associations and leaders. The result: three years ago we had seven field staff and today, we employ three staff, and the clusters employ one each, so there are 10 altogether. And 300 women are leading, coordinating and overseeing their own development agenda.

The lessons from Sampark: developing clusters/ federations is a long process. NGOs and donor agencies need to make financial and time investments in capacity building if women have to manage their own organisations. The facilitating agencies have to be watchful and protective of women's financial interests, sometimes even against mainstream changes coming up in the country, initiated by a well-meaning government. It is important to keep the organisations small, so that they can manage it themselves. It is important to make good and non-exploitative savings and credit linkages for SHGs and cluster associations, which is currently only through RRBs. It is also important to register them as cooperatives, as it is the only member-owned and member-managed organisational form, and build their capacities to manage these cooperatives.

This kind of depth of work has meant restricted scale, because of restricted funds available. Sampark has chosen this route, so that a good practice example and experiences can be shown on the ground. The full process from start of the first SHG to now, took about 5 to 6 years. Now, however, it is an experience available in public domain, and for those who may want to scale up or replicate in their areas.

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### **K. K. Tripathy, Ministry of Food Processing Industries, New Delhi**

Evolving into SHG-Federations may not really solve our problem relating to poverty and livelihood support immediately. As a government employee and as a researcher in the field of Micro-finance, I have had exposure to various models of micro-finance in different states. What is applicable in Andhra cannot be applied in Orissa or West Bengal.

Thinking of graduating SHGs into federations is easy in an environment where:

- (a) The members within the SHGs are educated, well-aware of the concepts and the principle of self-help
- (b) The implementing officials and grass-root animators and facilitators work in a mission mode to see the success in federating the SHGs
- (c) Where there is an Act like the Mutually Aided Co-operative Thrift Society (MACTs) in Andhra



Federations cannot become successful if no attempts are made for formation of quality groups, identification of appropriate and profitable economic activities, financing genuine beneficiaries and management of credit. Besides this the SHG members themselves should have the requisite urge to maintain a federation like set-up.

Federations are the best options in a situation where all the members are well versed with their responsibilities. In a study I conducted in Orissa and Haryana, I found that the key elements in the SHG approach like social mobilisation, education, awareness regarding the programme concepts and benefits were lacking. Even though the identification of Below Poverty Line (BPL) beneficiaries for assistance under the government-run-programme Swarnajayanti Gram Swarajgar Yojana (SGSY) was found to have been fairly accurate as per the programme guidelines, lack of co-ordination among the field-level bankers, government officials and Self-help Promoting Institutions (SHPIs) seems to have posed major hindrance in the implementation of the programme. The NGO-Bank-SHG model in Orissa was also not successful in supporting the poor in ensuring their livelihood due to the aforementioned reasons.

We should remember that the formation and development of SHGs is not a spontaneous process. Efforts need to be garnered to support local SHPIs who can sensitise and motivate poor members about the advantage of organizing themselves into quality groups for their social and economic progress and lead them to take up profitable micro-entrepreneurial activities. This is why we have to review the SHG movement in a particular area and realise the members' needs for graduating to a federation. Federations not only help in supplying easy and hassle-free finance to the needy SHGs but also help in looking into the aspects of collaboration with the government and NGO institutions for marketing, training and infrastructure related activities. Detailed guidelines have to be outlined for the federation for supporting the government and NGOs in co-ordination and monitoring of SHG related activities. Federations should focus on the location-specific key activities, forward and backward linkage effects for additional employment and income generation so as to enhance the enthusiasm within the beneficiary communities.

Thus, in brief, we have to consider the following:

- Review the SHGs keeping in view their operational environment and assess their need for graduation (to federation level)
- Examine whether a federation in a particular set up would maximise the benefit to the SHG members
- Federation may not be the panacea for alleviating poverty in all situations



- Federations, if formed, should focus not only on credit delivery activities but also on sustainability issues like easy access to the market, training, capacity building, insurance etc.
  - the federations can help the government in co-ordination and monitoring
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### **Soma K. P., Gender and Development Consultant, New Delhi**

I wish to endorse and substantiate through my own experiences the views expressed by Smita about the need to invest in time and processes of capacity building and nurturing of SHG members in order to build successful and sustainable structures for social change from the grassroots to the federation levels. There are indeed vast differences we observe in the quality and nature of groups that have been provided with diverse learning opportunities in an experiential learning framework and those that have been given minimal financial management inputs.

My experience in the field of gender and development and women's empowerment, including my research work as part of the UNDP study published in the book "Micro credit and Women's empowerment edited by Neera Burra, Ranjini Murthy Murthy and Joy Randive (Sage Publication-2003) and the recent research report with Nirantar entitled "Exploring Education, Empowerment and SHGs- A qualitative Study" (available from Nirantar, New Delhi 2007) reveals that:

- SHGs can serve as solidarity spaces, and spaces that enable women to address processes of social change only if the agenda within the group is directed and nurtured in that direction. While it is also true that in the absence of such processes women have taken up the empowerment agenda, such as support to victims of violence, that is done despite and not because of the program provisions as women spontaneously learn to assert their interests, but seldom are able to sustain it towards social change. The provision of legitimate space and time to articulate these as concerns and an agenda for action has obviously much to do with the perspective of the promoting organization itself, and its willingness to invest in processes and opportunities that are focused on such long term goals.

Our study reveals that where such processes have been enabled, women grow into situations of being able to discern and make decisions about issues that have bearing on their status in the community and in society itself. In the absence of such processes, the abilities of women are constrained and may result in the formation of financially driven groups, but seldom enable women to collectively challenge the structures of oppression. The nature of processes that follow in the majority of groups currently are limited to material short term gains that seldom refer to the arena of social change as implying a change in the social status of the members as women and as members of vulnerable and marginalised socio-economic groups. Hence even where



federations are evolved as institutional frameworks to support the groups to address their needs, the ability of women to manage such an institution is limited in the absence of a preceding process that enables them to develop decision making, negotiation and strategic skills.

- Arguments are often made for a focus on a single point agenda initially, that can then be expanded to incorporate other issues as the women gain capacities to manage the financial agenda. This is apparent in some of the arguments put forward on the query as well as the programs of several organizations. While priorities need to be made based on women's expressed needs, a holistic program for social change must however be centered around women's learning and empowerment in the various dimensions where they experience disempowerment and marginalisation, if they are to be enabled to make the connections and demand redressal of the same in a rights framework. Implicit in this is the fact that issues of marginalisation and oppression must also form a part of this learning agenda and provide the framework for analysis of the issues. Strategies based on a limited view of their lives, often creates a momentum that is dominated by a single agenda based on the promoters interests, that then subsumes their interests without enabling them to seek solutions that are holistic.

The financial agenda that is predominant in the majority of groups creates its own momentum and results in a certain chain of activities that are considered mandatory, but may in fact be contradictory to the needs of the women in the group. Such a focus on financial efficiency for example is known to result in the poorest women leaving the group if issues of marginalisation and equity are not taken into the group's framework of discourse. Hence, the processes of capacity building need to be holistic while exploring different strategies to enable groups to evolve skills to deal with the multiple agendas.

Different strategies can be evolved for this. Some programs have facilitated the allocation of responsibilities among women members to take the lead on a range of issues – for example, two women to take the primary role in transaction of learning and for action on issues of health and two others to address learning on violence and legal rights, two - three others on livelihoods, etc. (Mahila Samkhya has adopted this strategy in a number of states)

- If these issues are not adequately integrated into the learning agenda of the group as the primary grassroots level, then mobilisation for action on them is seldom possible at the federation level. Recently one hears the argument being offered more often that the issue based empowerment agenda for social change can be introduced at the federation level as women consolidate their financial gains at the group level. I would view this as a short changing women's



concerns at the cost of foregrounding the promoters interests; as women need access to their livelihoods resources, freedom from violence and security in the household as much as they need the access to credit for crisis smoothening and development investment. If we are indeed committed to the agenda of social change, the creation of space and learning environments that enable multiple agendas to be addressed is a prerequisite.

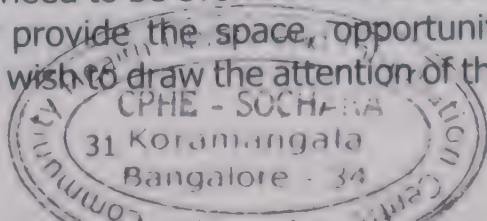
- Federations need to be viewed as a means of women consolidating their strengths to address multiple agendas. They do not need to replicate the work of the groups, but must provide a space for a political presence for women to undertake the agenda of social change at a wider societal level; set up the infrastructure for ensuring support for women in society at large, as well as opportunities for women to come into broader political leadership to address issues of rights and development. Some federations have done this quite successfully and have even taken the initiative to initiate processes in their neighbouring areas; others have focused on a larger mobilisation to compel the state to be more accountable and to function more effectively on issues of food security, etc. Federations have also enabled women to evolve strategies to assert rights to natural resources from forests and negotiate with the state, while women enhance skills to undertake value addition on products from the same at the group level. Hence federations need to be nurtured through capacity development at the grassroot level itself, rather than assuming that such political empowerment can happen once the financial management structures are instituted.

Our study with Nirantar (in the case of Anandi in Gujarat) as well as the UNDP sponsored study (specifically of the Swayam Shikshan Prayog experiment in Maharashtra) referred to above provide insights about the role of federations in social change, and how a social change agenda can be encouraged through the facilitation of federations as spaces for learning, reflection and action by women

- A deeper assumption needs to be challenged that assumes that social change and rights can result from financial modelling, without clarifying the premises on which such financial modelling itself is based. In the micro credit model, for instance, the critical question of why the poor must bear the cost of their own financial resource requirement and why there is such an anxiety for the financial sustainability of institutions for the poor, when others are themselves lacking in this, and the quest to draw them into conforming to business models, rather than allowing them to evolve in a development model. These questions need to be raised, and alternatives need to be evolved that do not charge the poor for development, but rather provide the space, opportunity and learning processes for them to do so. I wish to draw the attention of the group to a set

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of non- negotiable that emerged as a plan of action from the recent Nirantar workshop in Hyderabad on “SHGs and Gender and Development”, where some of these concerns were articulated.

Thanks for a patient reading- I hope we can evolve a concrete action agenda based on this discussion. I would be happy to work with those who are interested in sustaining this dialogue to facilitate/participate in a workshop/ on going reflection and learning from analysis of federating efforts and strategies.

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**Smita Premchander, Sampark, Bangalore** *(response 2)*

I want to draw attention to the next level of analysis from our discussions.

First, I appreciate the views of Mr. Tripathy, who once again points to the efforts that we need to put into development of SHGs, and how little difference it can make if government machinery does not take these forums seriously.

Again, in Sampark, too, we found that while banks are interested in SHGs, they cannot fund federations till such time as they are registered as cooperatives. Also, government completely ignores them, and whatever we do, even as Sampark or as federations, the grant-based sanctions have gone to the SHGs which are fly by night SHGs started by politically connected NGOs, and we have been able to do little to demand accountability or transparency on that account, which just endorses Mr. Tripathy's point.

Secondly, connecting to Soma's comments, if we want to see women's forums make a difference even in credit, more so if we want them to make a difference beyond just credit, we need to invest more as NGOs and donors, and we need to come together beyond individual NGOs, to form a collective strategy to make SHGs and federations of women's SHGs more effective.

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**Rahul Banerjee, Khedut Mazdoor Chetna Sangath, Indore**

It is imperative that individual SHGs be clustered into federations if they are to be more effective as income generation and cost reduction agencies. Both for marketing of products and for sourcing of raw materials, size is a crucial factor. Economies of scale and branding are crucial to the success of any economic activity and so it is obvious that SHGs need to be federated. There are innumerable examples of such successful federations across the country. I will give two examples from Madhya Pradesh. The first is of the federation of SHGs promoted by the Bharatiya Grameen Mahila Sangh in Indore which has set up a federation of women SHGs that is now successfully running a bank with linked loans from scheduled banks.

It also runs a very successful operation to supply fortified eating material to the anganwadis in Indore. The second is that of the federation of SHGs set up by the



NGO Sampark among Bhil adivasis in Jhabua district that has centralised the sourcing of agricultural inputs and marketing of outputs thus gaining immense cost advantages and output price gains. Over and above this the federation has also intervened politically to put pressure on the local administration to implement the National Rural Employment Guarantee Scheme (NREGS) properly. Therefore through federations, the NREGS is creating sustainable natural capital and also providing adequate employment to the people at the stipulated wages. This federation has also made big strides in reducing social evils like bride price, heavy rites of passage ceremonies and alcoholism and instituted labour pooling practices.

Both of these federations have a democratic structure and are continually monitored for performance by the NGOs. Thus it is crucial for the success of SHG federations that there be a guiding NGO with sufficient commitment and expertise and that their working be under transparent and democratic governance.

Thus the question is not one of whether to have federations or not but to document the best practices in their formation and then publicise them to spread the movement further.

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### **L. B. Prakash, Akshara, Hyderabad**

My experience suggests that where a single organisation/entity performs multiple functions, generally only one activity gets prominence, if at all. The decision making entities - the General Body and the Board can rarely devote adequate time for the multiple activities/functions. Also, monitoring/review becomes difficult as adequate time can never be devoted.

I had looked at models where SHG Federations perform both financial and social intermediation, as a facilitator, trainer and rater. SHG Federations seem to have clarity on its role where the functions are separated as compared to having multiple.

Most of the time, organisations performing uni-functions do better. We may have limited examples in SHG Federations, but in terms of profitability, management, service delivery to member SHGs and satisfaction of member SHGs, uni-function Federations seem to perform relatively better.

Capacity building of the members, leaders and the board of the SHG Federations is a huge task. Where SHG Federations perform multiple functions, capacity building and institution building aspects become more complex. The capacities of the promoters in facilitating federations is suspect.

Vested interests will not take over the federations, if they are promoted as self-supporting (if not business) entities. Where the members understand that grant or grant capital is not going to be available, the chances of vested interests taking



over the federations reduce. Cooperative Development Federation (CDF) had an approach of never providing cash subsidies to the cooperatives and federations, which I think resulted in greater ownership among members.

Creation of transparent and accountable systems like printed/written discussion material in board meetings, comparison of expenditure vs. budget, presenting the cumulative income/expenditure for the year than the monthly figures, conducting the annual general body meeting (AGBM) regularly, preferably within 3 months of closure of the financial year, presenting a printed annual report and audited accounts to the members at the AGBM, sharing the attendance and transactions of board members with the SHGs and SHG Federations, performance of the SHGs/clusters which the Board members represent are some of the ways which increase member awareness and leader accountability, thus reducing the possibility of vested interests taking over. Also, regular and periodical member education plays an important role.

While the thrift cooperatives and their federations promoted by CDF, under any imagination do not fall under the category of SHG Federations (as we understand), they are good examples of *self-help*, *self-regulation* and *self-supervision*. Understanding their systems and processes would be a good starter in the aspect of self-regulation and self-supervision. Also, some of the SHG federations promoted under the UNDP SAPAP (United Nations Development Program South Asia Poverty Alleviation Project) program and some of the SHG Federations promoted by GRAM and Ankuram Sangamam Poram (ASP) (all are in Andhra Pradesh) also are good examples.

I have greater exposure of SHG Federations in AP and therefore mostly quoted them. However, there are also examples of SHG Federations like the Sakhi Samiti (Kishangarh Bas, Alwar, Rajasthan) which continue to function due to the sustained efforts of individuals such as Imarti Devi.

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### **Tarun Kumar Debnath, SHG Promotional Forum, Kolkata**

Thanks for raising a very pertinent question at a time when the "micro-finance delivery only" paradigm is being seen by many as a solution to poverty stricken people of the world. As a matter of fact, your introductory statement itself gives a clear shift from the above and placed SHGs to address poverty issues more holistically.

It may be repetitive for many but please note that SHGs and micro-finance are not equivalent. SHGs are institutions made up of its members and the micro-finance is a bouquet of financial services in micro sizes. Almost all SHGs are engaged in micro-finance activities (savings, credit, and now insurance, etc.) and many - definitely not all, micro-finance interventions are routed through SHGs. So, micro-



finance though very central, is one of the many activities of SHGs.

The road map of SHG based development may be defined in this way: making use of improved financial services for economic strength and capabilities through their own institutions, and thus creating the individual and collective voice of women and empowerment for poverty elimination, hence enhanced quality of life at the individual, household and societal levels. Federations gives a larger formal institutional framework of the informal SHGs, to tread the path as defined above and to achieve its goals.

In response to your first question - What are the implications of SHG federations performing multiple functions? Is it advisable to have different institutions for different purposes?

We have to accept – a) the multiple dimensions of poverty and a contextual strategy to address the poverty related issues, and b) the institutional requirements that obviously need not be singularly focussed; on the contrary, to be placed in multi-task paradigm. Here any specific institution does not need to directly undertake interventions to address all necessities of life and livelihood of the poor, but needs to keep in mind that the institutions need to be contextualised and operational, in tandem with other institutions, not only in terms of horizontal and vertical space, but also in terms of time and space as well, to safeguard, maintain, consolidate and enhance the interest of the poor. The SHG based federation should have proper understanding of the development context and at the same time different institutions existing in the areas. For example, one can not simply ignore the role of the Anganwadi Centers (AWC), Village Education Committees (VEC) and most importantly the Panchayati Raj Institutions (PRIs). The questions within SHG and SHG based intuitional arrangements should be who does what and at what level.

In West Bengal, there are several examples of functional SHG based organisational arrangements like cluster and federations promoted by NGOs - though not formalised in many cases, primarily for the absence of appropriate legal scope in this regard. About 10-15 SHGs are federated at the Gram-Sansad levels to form clusters and these clusters (say about 10-15) form federations at the Block level – geographically speaking, they are coterminous with different levels of PRI; quite similar to the structure of 1) primary cooperative, 2) central level and then 3) Apex federation level. In the absence of any formal registration, federations undertake social intermediation, including gender and entitlement issues, and NGOs as MFI provide financial services through these networks. These are functioning well. In one case, at the apex level, they have formed 3 (three) organisations to undertake a) financial intermediation (by credit cooperative), b) social intermediation (by an NGO of the members), and c) livelihood including marketing (by a consumer cooperative). They have developed a workable mechanism to complement each other's efforts. They are functioning well and at the same time



are engaging themselves with other players of the areas including very powerful PRIs. I personally feel this kind of efforts should be made possible.

Regarding your second question - What has been the experience related to capacities (governance, management, staff, systems, profitability, and sustainability) of SHG federations in being financial intermediaries? Would banks and other financial institutions be willing to provide bulk loans to SHG federations?

In regard to capacities, I first of all feel the basic requirement is the genuine commitment of the promoter in this regard. The task is tough, but not impossible. Sustained support and facilitation are absolute necessity, though should be tapering over time. Good examples are there, even in case of drawing the confidence of bankers to get bulk loan for on-lending to its members. Committed promotional support and competent facilitation can really make this happen

To answer your third question - How does one ensure that vested interests do not overtake the functions of SHG federations? This is very critical question. One Central Minister said, "Every five years, it is the masses who determine who will form the government. And in between those five years the classes determine what that government will do". This is avoidable in our case if operations can be made transparent, and the members are more demanding to make the system always accountable to the primary stakeholders. I also feel emphasis should also be given to develop as an institution of poor people to raise their own voice and act as bargaining entity, not as a solution by itself for everything.

On your last question - Is there any experience in facilitating self-regulation and self-supervision of SHG federations? In fact in the absence of any legal framework, SHG based federations have been operating out of their own rules and regulations, though with the support from facilitating NGOs.

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### **Kedareswar Choudhury, Darbar Sahitya Sansad, Orissa**

The discussion has been enlightening and thought provoking for the people who are engaged in promoting micro finance/SHGs and federation for poor women. In micro finance now days the basic concept of micro financing is getting diluted day by day on the ground of financial efficiency and programme sustainability.

Critical examination and continuous reflection on any programme like SHG and its federation, is highly essential today.

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### **Manju Agrawal, Amity University, Lucknow *NEW!***

I have a large experience of working with SHGs in Mahila Samakhya as well as SHGs of other Institutions. In Uttar Pradesh (UP) many SHGs have become just thrift and credit programs and most of their time goes in keeping account of money. Most of their meetings centre around the thrift and credit. Money lending



is so overpowering that other social concerns get sidelined. Hence, the facilitating agencies have a huge amount of work in creating a balance between financial and social concerns. It is also important that menfolk do not use these women credit programs for taking loans, which the women ultimately have the responsibility to pay back.

The facilitating agency should develop first women collectives with a collective identity, give them a lot of training for empowerment and on their identity and self-esteem, clarify the issues of patriarchy and then only involve them in thrift credit programs, which are exclusively run by them without interference from their men folk.

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**Aditya K. Mishra, University of Hyderabad (Central), Hyderabad *NEW!***

I was engaged in studying the organizational structure and operational activities of SHGs in Orissa during 2002 to 2003 for the purpose of my M. Phil Dissertation. I was evaluating the World Bank funded project i.e. National Agricultural Technology Project. The ultimate target of the project was to disseminate agricultural technologies to the grassroots level farmers. That's why the project formed several SHGs of men and women at the village level.

Although the main objective of the project was to disseminate agro-technologies, the SHGs were, however, very much confident towards developing micro-credit and thrift systems. The women-led SHGs were very active in comparison to the men-led SHGs. The main reason behind the shift of the focus was that the government officials who were supposed to be the instrumental instructors were apathetic towards their regular tasks and supervision. There were also inefficient officials in handling different project components. As a result, without being disinterested, the SHGs developed several micro/home-based activates (apart from credit and thrift system) in order to sustain their group operation. Since the members used to work under a common roof for a common cause, there was a gradual change in the nature of caste structure of the village.

In fact, I have been working on this SHG approach for five years. I believe this mushrooming of SHGs as a movement as well as an institution at grassroots level is a marvellous attempt in building confidence in the hearts of common villagers. However, there should be a provision for economic incentive in a decentralized form as well as constant guidance and support from the scientific/expert community.

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**Nandini Sharma, Council for Social Development, New Delhi *NEW!***

In my opinion, SHGs have not in entirety, but to some extent, have been able to contribute significantly to the social emancipation of women. My experience during March-April 2007 field visit in Nuh and Tauru block of Mewat district in Haryana reveals that Self Help Group activities are of quite interest to the local women,



special to mention the Muslim 'Meo' women who have hardly seen the world beyond their household.

Some organizations working in that area such as DST (Development Support Team, working in Mewat with SHGs/microfinance for the past 5-6 years) have helped them with training related to handicraft making from locally available material. These attempts have yielded results in a way that a number of groups have emerged in the area, promising development and empowerment of rural women. The female population of this area is realizing greater importance and respect of their family towards them as they have taken over men as bread winners or the primary earners. It was also felt during the field visit that, though majority of the women are illiterate, their practical knowledge is far greater which is beyond learning and identifying alphabets.

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**Manju Joshi, Centre for Community Economics and Development Consultants Society (CECOEDECON), Jaipur *NEW!***

CECOEDECON (the Centre for Community Economics and Development Consultants Society) had a project in Rajasthan, which worked on the empowerment of women through natural resource management in the Phagi Block of Jaipur District. Women were given various kinds of training which enabled the women to manage the entire project. It was the first initiative for us but by this, we learned many things which were not originally envisioned for the project.

During the project, we organised women into women's groups where they had the responsibility of a particular social issue, governance issue and savings/ credit. They gradually grew to a cluster level federation. The project ended in year 1990 but the federation is still working now with the block level federation. They now have made linkages with networks on social issues, and with financial institutions.

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**Toms K. Thomas, Development Consultant, Pathinmathitta *NEW!***

I think what you have said is correct. SHGs in fact have a greater social role than the financial role given by many MFIs these days. The origin of the SHG has been based on this concept of bringing in more harmony and peace in communities, which would ultimately change the community as such. To argue that SHG promote social change it would require first defining what we mean by 'social change'. To me social change is all about better and healthier relationships and SHGs have a great role in nurturing personal and community relationships. However, unfortunately the invasion of finance and many other activities into SHGs and the use of SHGs for financial reasons ended up in adoption of business ideologies in every relationship. SHGs are not a 'snake oil' or a magic box, which could transform anything in to something different.



- What are the implications of SHG federations performing multiple functions? Is it advisable to have different institutions for different purposes?

SHG federations should share the vision of the SHGs and multiple functions may help but should not ultimately take away their ultimate relationship. Yes, it is advisable to have different community institutions for different purposes. All activities are not exactly Self Help. To me, self-help itself is very difficult for me to digest as it seems to be making people more individualistic.

- What has been the experience related to capacities (governance, management, staff, systems, profitability, sustainability) of SHG federations in being financial intermediaries? Would banks and other financial institutions be willing to provide bulk loans to SHG federations?

I think if banks and financial institutions would decide to do so, probably the whole conceptual framework on SHGs needs to be rewritten. It could cause more social problems. All federations require financial subsidizations and appropriate systems to function efficiently. It may be difficult to prescribe a single antidote for all sorts of federations (with different visions).

- How does one ensure that vested interests do not overtake the functions of SHG federations?

SHGs and vested interests are quite contradictory - why should we bother much about it? Vested interests for us may not be the same for a group / a community/ culture. By promoting enterprises and various other activities through groups, we are in fact some times teaching them the benefits of vested interests. Vested interests are a part of development and avoiding it is quite difficult. But it could be minimized through imparting values right from the beginning which is very much challenging. I have visited a tribal community recently for a needs assessment where I found they are happy and content at the moment with what they have and what they are. However, I am sure that if a development project is initiated there, the situation would not be the same, unless values within the culture are not nurtured along with development efforts.

The present pattern of forming groups and immediately starting various activities could cause more problems in communities and could even disrupt the peace of the communities. We might be creating another group of people within the community that are 'SHG members'. The values and principles that are transferred to these groups along with strengthening of existing values are important to bring about lasting social change and peace in communities.

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**Shobha Mishra, Development Support Team, Haryana *NEW!***

Nandini's observations do reflect the ground realities in Mewat, especially the area we work in. Empowerment of course is a mirage Development Support Team (DST) is chasing. In a locale, which is experiencing a wave of change, both negative and positive, ever since Mewat became a district there has been inflationary trends,



boom in real estates and creation of new jobs mostly in the public sector. But unfortunately this is the male domain and such 'developments' do not necessarily benefit women, however much they try to consolidate their foot hold through the Self-Help movement.

I would like to congratulate Nandini for making a distinction between literacy and native intelligence among the women of Mewat. DST had run a functional literacy programme for SHG women with the support from National Foundation for India based in Delhi between 2002-2004. But this was a demand responsive intervention as the women of Mewat expressed their desire to acquire basic literacy and numeric skills so that they can check the entries in their pass books and ledgers. The lessons we learnt are that: a) the benefits of learning how to read and count must be felt here and now and b) large schemes for imparting literacy and numeric skills which are conceived and implemented centrally do not achieve the desired goals as people at the local level are not able to envisage the immediate benefits that would accrue from this engagement (it would be interesting for network colleagues to refer the publications of the National Literacy Mission several years back).

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### ***Many thanks to all who contributed to this query!***

If you have further information to share on this topic, please send it to Solution Exchange for the Microfinance Community in India at [se-mf@solutionexchange-un.net.in](mailto:se-mf@solutionexchange-un.net.in) or Solution Exchange for the Gender Community in India at [se-gen@solutionexchange-un.net.in](mailto:se-gen@solutionexchange-un.net.in) with the subject heading "Re: [se-mf][se-gen] Query: SHG Federations as Vehicles for Social Change- Experiences. Additional Reply"

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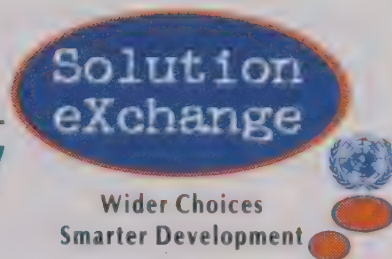
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## Poverty Microfinance Community



**Community Launch Date: October 31, 2006**

**Number of Members as of September 2007: 1,321**

**Index of Consolidated Replies as of 5 September 2007**

**Coverage of India's MFIs and SBLP, from SDC, New Delhi and CMF, Chennai (Advice).** Issued 15 November 2006

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-15110601.htm>

*Provides advice on ways to enhance the value of a mapping exercise on microfinance coverage in India and suggests ways to expand outreach to underserved regions*

**Impact Assessment of Microfinance Initiatives, from SAMPARK, Bangalore (Experiences).** Issued 30 November 2006

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-25110601.htm>

*Captures experiences on the diverse impacts of microfinance and shares tools, studies and methodologies on impact assessment of microfinance*

**Microfinance Models for Muslim Community in India, from ICRISAT, Hyderabad (Advice).** Issued 21 December 2006

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-21120601.htm>

*Experiences and suggestions on devising specific models and delivering interest free microfinance products for Muslim community in India*

**Diversified Credit Products to SHG Members under SBLP-Experiences.** Issued 30 December 2006

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-30120601.htm>

*Suggests ways to make SBLP more client-responsive through provision of diversified credit products including case studies of MFIs, banks and NGOs*

**Partnering with Financial Institutions for Microfinance Services-Referrals.** Issued 12 January 2007

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-22120601.htm>

*Provides list of Financial Institutions and contact persons as sources of debt and equity capital for Microfinance Institutions*

**Critical Areas and Strategies to Scale-Up MF Investments- Advices; Experiences.** Issued 22 January 2007

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-10010701.htm>

*Identifies broader challenges and obstacles facing the Microfinance sector, critical areas requiring investments and possible strategies to scale-up MF*



**Delivery of Business Development Services by MFIs- Experiences.** Issued 5 February 2007

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-08010701.htm>

*Shares delivery models and approaches for MFIs to provide Business Development Services (BDS) along with possible challenges in operationalizing BDS*

**Micro-Enterprise Development for Mature MF Clients-Experiences.** Issued 22 February 2007

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-29010701.htm>

*Shares challenges and strategies to graduate MF clients from micro-credit to micro-entrepreneurial activities through experiences including using sub-sector approach*

**Financial Service Delivery Channels-Experiences.** Issued 20 March 2007

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-12020701.htm>

*Shares pros and cons of the franchisee model for delivery of microfinance services and other alternate cost effective models such as partnership, business correspondents model*

**Human Development through Microfinance-Experiences.** Issued 22 March 2007

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-28020701.htm>

*Shares alternate institutional mechanisms and experiences for provision of microfinance to address human development needs of the poor, particularly education and health*

**Expansion of Microfinance to Northeast India-Experiences.** Issued 28 March 2007

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-13030701.htm>

*Shares details on microfinance operations in the North East, experiences of diverse institutional models and the potential and approach to expand MF services in the region*

**MF Needs and Institutional Livelihood Models for Fisher Folk.** Issued 6 April 2007

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-20030701.htm>

*Provides advice on financial needs of fisher folk, other technical and institutional support they require, risk coping strategies and institutional models to deliver microfinance*

**Delivery of Micro Insurance Services.** Issued 25 April 2007.

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-03040701.htm>

*Provides case studies and models for distribution channels of microinsurance and key lessons for efficient implementation of microinsurance schemes.*

**Models for Operational Efficiency of MFIs.** Issued 9 May 2007.

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-17040701.htm>



*Shares various institutional models for MFIs and discusses the issue of sustainability, efficient Loan Officer to Group ratio as well as ways of using technology to reduce costs*

**Alternative Micro Insurance Products and Delivery Mechanisms.** Issued 30 May 2007.

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-09050701.htm>

*Provides information on various delivery mechanisms and best practices in providing micro-insurance; includes case studies on innovative products and technology solutions.*

**Capability Assessment of Micro-insurance Providers.** Issued 30 May 2007.

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-17050701.htm>

*Presents criteria to indicate the ability of an organization to deliver micro-insurance cost-effectively; also shares challenges and advice to MFIs providing microinsurance*

**Impact of Bt Cotton.** Issued 17 May 2007. (Cross posted with Food and Nutrition Security Community)

<http://www.solutionexchange-un.net.in/food/cr/cr-se-food-mf27040701.htm>

*Clarifies scientific/practical issues related to cultivation of Bt cotton, debates on its impacts and linkage with farmers suicides and indebtedness, suggests ways for implementation of GM crops*

**Over-borrowing from Multiple MFIs,** Issued 29 June 2007

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-11060701.htm>

*Discusses the challenge of credit information asymmetry and the feasibility of sharing borrower information among lending agencies and technology as means to control over-borrowing*

**SHG Federations as Vehicles for Social Change,** (Revised) Issued 29 June 2007 (Cross posted with Gender Community)

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-gen-25050702.htm>

*Shares experiences of SHG federations performing multiple roles, including financial intermediation, capacity development and agents for addressing various social issues*

**Extending Remittance Services to MFI Clients,** Issued 30 June 2007

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-19060701.htm>

*Provides information on the legal framework governing MFIs delivering remittance services; highlights the experience of MFIs as well as technology that can better facilitate remittances*

**Identifying Technology Services Needs for the Microfinance Sector,** Issued 12 July 2007

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-25060701.htm>



*Discusses the technology needs of MFIs, current solutions that are being used in the MF sector, and challenges faced by MFIs who have had experience in implementing technology*

**Designing Credit Risk Assessment Tools to Reach the Poor.** Issued 25 July 2007

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-06070701.htm>

*Shares experiences of risk assessment and examples of tools formal financial institutions can use to reach poor populations with microfinance services and discusses appropriate client profile*

**Model for Urban Microfinance.** Issued 2 August 2007

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-16070701.htm>

*Covers government interventions and lending rates in microfinance; shares experiences in savings mobilization and raising capital within the legal framework; highlights individual lending*

**Resources on forming SHGs and Streamlining Procedures.** Issued 9 August 2007

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-20070701.htm>

*Provides resources and manuals on SHG formation, grading/ assessment procedures, mobilizing thrift and savings as well as recommended experts and courses for SHG promoters*

**Disaster Risk Insurance for Vulnerable Communities.** Issued 20 August 2007. (Cross-post with Disaster Management Community.)

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-drm-25070701.htm>

*Shares experiences and challenges in implementing risk transfer mechanisms and provides several examples of disaster insurance in India and abroad*

**Providing Savings Services by NGO-MFIs and NBFCs.** Issued 28 August 2007.

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-07080701.htm>

*Discusses the Banking Correspondent model and other mechanisms by which NGOs and MFIs can provide savings services to its members; shares experiences and various technologies used*

**Incentive System and Retention Strategies for MFI Staff.** Issued 5 September 2007

<http://www.solutionexchange-un.net.in/mf/cr/cr-se-mf-21080701.htm>

*Provides quantitative and qualitative indicators to be considered for incentive structures; discusses challenges and issues in performance measurement and retaining staff*

*Contributed by  
chandran  
18/05/2015*



## Member's Testimonials

"I have been an active member of the Poverty and Microfinance communities and have benefited from its services viz. Consolidated reply and the Updates. It facilitates cross learning, as different practitioners share their experiences and we need not reinvent the wheel every time. I consider your consolidated reply and updates as the most useful information and store it for reverting back when ever I need. For example, when I was handling a training program for the leaders of a Federation of SHGs, they wanted to know whether their federation or SHG can be an implementing agency for the NREGA program. I have referred to the relevant Consolidated Reply"

**N. Jeyaseelan**

Formerly with Indian Bank, Madurai

"The consolidated replies definitely helped us in developing a deeper understanding on the issues being discussed. To me the most important benefit is the timely update on latest developments related to various programs. The exchange seems to convert a lot of tacit knowledge into explicit knowledge. I strongly recommend it as it has current, relevant and in-depth information available."

**CS Reddy**

APMAS, Hyderabad

"The Consolidated Reply on "Designing Credit Risk Assessment Tools to Reach the Poor" is an excellent document. In fact, the responses from members and the consolidation will greatly help me in taking forward my research in field. I sincerely thank members for their experiences and also thank you and your team for such valuable support extended by the Solution Exchange platform."

**Rohit Raina**

ICICI Bank, Mumbai





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e-mail : [unrco@un.org.in](mailto:unrco@un.org.in) website : [www.un.org.in](http://www.un.org.in)